

October 06, 2025

## Union Bank of India: Ratings reaffirmed and withdrawn for matured instrument

### Summary of rating action

Instrument*	Previous rated amount (Rs. crore)	Current rated amount (Rs. crore)	Rating action
Basel III Tier II bonds	5,200.00	5,200.00	[ICRA]AAA (Stable); reaffirmed
Basel III Tier II bonds	1,000.00	-	[ICRA]AAA (Stable); reaffirmed and withdrawn
Certificates of deposit	15,000.00	15,000.00	[ICRA]A1+; reaffirmed
<b>Total</b>	<b>21,200.00</b>	<b>20,200.00</b>	

\*Instrument details are provided in Annexure I

### Rationale

Union Bank of India's (Union Bank) ratings continue to be supported by its strong position in the Indian financial system as it is the fifth-largest public sector bank (PSB) with a market share of 5.2% and 5.4% in net advances and total deposits, respectively, as on June 30, 2025. The ratings also factor in the bank's healthy earnings profile, driven by the moderation in credit costs with the reduction in fresh non-performing asset (NPA) additions, healthy recoveries/upgrades as well as the high provision coverage on legacy NPAs. The ratings remain supported by Union Bank's well-developed deposit franchise, resulting in a high share of retail deposits and a strong liquidity profile.

Union Bank's capital cushions remain comfortably above the regulatory levels, driven by internal accruals and the capital raise via a qualified institutional placement (QIP) of Rs. 8,000 crore in FY2024. While the bank has demonstrated its ability to raise capital, the ratings continue to factor in its sovereign ownership and the demonstrated track record of capital support from the Government of India (GoI) in the past, which is expected to be forthcoming, if required. Although Union Bank witnessed a sustained improvement in its profitability in the past 2-3 years, the same is likely to moderate slightly amid the expected decline in the net interest margin (NIM). Additionally, the impact of transitioning to provisioning, based on the expected credit loss (ECL) framework, on its capital and profitability levels will remain monitorable.

The ratings also take note of the vulnerable book (SMA-1<sup>1</sup>, SMA-2 and standard restructured book), which has moderated meaningfully from the much higher levels in the past, although it remains monitorable. Additionally, the bank's ability to control fresh slippages, amid the likely impact of persisting geopolitical uncertainties, would remain monitorable for the asset quality. Nevertheless, Union Bank is expected to remain well placed to absorb these shocks through its operating profitability. ICRA also expects the bank to remain sufficiently capitalised with no regulatory or growth capital requirements in the near-to-medium term.

The Stable outlook on the rating reflects ICRA's expectation that the bank will be able to maintain a steady credit profile, with stable asset quality and healthy profitability and capitalisation.

ICRA has also reaffirmed and withdrawn the rating assigned to the Rs. 1,000-crore Basel III Tier II bonds as these have been fully redeemed with no amount outstanding against the same. The rating has been withdrawn in accordance with ICRA's policy on withdrawal and suspension ([click here for the policy](#)).

<sup>1</sup> SMA is defined as a special mention account (SMA), which is an account exhibiting signs of incipient stress resulting in the borrower defaulting in the timely servicing of their debt obligations though the account has not yet been classified as an NPA as per the extant RBI guidelines; SMA-1 accounts are overdue by 31-60 days while SMA-2 accounts are overdue by 61-90 days

## Key rating drivers and their description

### Credit strengths

**Sovereign ownership with demonstrated capital support from GoI** – The GoI remains the bank's largest shareholder, accounting for a 74.76% equity stake as on June 30, 2025. Union Bank and other amalgamating banks had received sizeable equity capital support from the GoI, amounting to Rs. 42,697 crore during FY2018-FY2021, which supported a meaningful reduction in its net NPAs (NNPAs) over the last few years.

Following the merger of Corporation Bank and Andhra Bank with Union Bank, its overall market share increased and stood at 5.2% of net advances and 5.4% of total deposits as on June 30, 2025, signifying its systemic importance in the Indian banking system. Therefore, ICRA expects the bank to continue receiving support from the GoI if required.

**Strong capitalisation and solvency profile** – The bank's core equity capital (CET I) and Tier I continued to improve and stood at 15.30%<sup>2</sup> and 16.58%<sup>2</sup>, respectively, as on June 30, 2025 vis-à-vis 13.81%<sup>2</sup> and 15.14%<sup>2</sup>, respectively, as on June 30, 2024. The capital profile was supported by healthy internal accruals with Union Bank reporting an annualised return on net worth of 15.02% in Q1 FY2026 (16.73% in FY2025). Additionally, it was supported by the capital raise of Rs. 8,000 crore in FY2024 via a QIP. As a result, the capital cushions above the regulatory requirement have continued to improve. Notwithstanding the sufficient internal accruals and capital position for growth, the Reserve Bank of India's (RBI) implementation of the ECL framework for credit exposures remains monitorable for the capital position.

Given the better capital position as well as the lower NNPAs, the solvency<sup>3</sup> level improved to 5.97% as on June 30, 2025 (9.07% as on June 30, 2024). Going forward, despite the expected increase in NNPAs, ICRA expects the solvency profile to remain strong with the same remaining better than 10%. Besides this, the subsidiaries largely remain self-sufficient in meeting their capital requirements although a few may need capital support, which is likely to remain manageable in relation to the bank's existing capital levels.

**Healthy earnings profile** – Union Bank's core operating profitability remained healthy, supported by the relatively steady non-interest income and operating expenses. However, with the compression in NIMs, the operating profit moderated to 1.60% of average total assets (ATA) in Q1 FY2026 from 2.12% in Q1 FY2025 (1.93% in FY2025). The bank reported strong trading gains of Rs. 961 crore in Q1 FY2026 and Rs. 2,103 crore in FY2025 (Rs. 1,638 crore in FY2024). As a result, the return on assets (RoA) was healthy at 1.11% in Q1 FY2026 and 1.25% in FY2025 (1.03% in FY2024) despite the moderation in the core operating profitability. Going forward, with further compression in NIMs due to the full transmission of the policy rate cuts, the bank's profitability margins may remain under pressure. The credit provisions are, nevertheless, expected to remain benign and will support earnings.

**Well-developed deposit franchise** – Union Bank's deposit franchise remains strong and draws support from its extensive network of 8,649 branches as on June 30, 2025. Given its comfortable credit-to-deposit ratio (76% as of June 2025), the bank's overall deposit base grew modestly by ~4% YoY to Rs. 12.40 lakh crore as on June 30, 2025. Its retail LCR deposit base stood at ~61% as of June 2025, largely comparable to that of a few large PSBs, while its term deposit base also stood largely in-line. However, its low-cost current account savings account (CASA) deposits stood at ~33%, remaining below the PSB average (~36%) as on June 30, 2025. As a result, the bank's overall cost of funds was higher at 5.50%<sup>4</sup> compared to the PSB average of 5.17% in Q1 FY2026. Nonetheless, given its widespread network, steady core deposit base and robust retail franchise, ICRA expects Union Bank to maintain its strong liabilities profile.

<sup>2</sup> Excludes interim period profits

<sup>3</sup> Solvency defined as (NNPAs + Net security receipts + Net non-performing investments)/Core capital)

<sup>4</sup> As per ICRA's calculations

## Credit challenges

**Asset quality, although improving, remains monitorable** – The annualised gross fresh NPA generation rate moderated to 0.99% in Q1 FY2026 from 1.08% in Q1 FY2025 (1.40% in FY2025) and remained materially below the elevated levels seen in the past (5-10% over FY2017-FY2020). Consequently, the bank's gross credit cost, as a percentage of average total assets (ATA), declined to 0.31% in Q1 FY2026 (0.51% in FY2025), lower than the levels seen in the past (1.5-3.7% over FY2017-FY2020). The provision coverage ratio (excluding technical write-offs) also improved and stood at 83% as on June 30, 2025 (81% as of June 2024), leading to a moderation in the NNPA's. Thus, the bank's headline asset quality metrics improved with the gross NPA (GNPA) and NNPA moderating to 3.52% and 0.62%, respectively, as on June 30, 2025 (4.54% and 0.90%, respectively, as on June 30, 2024), on the back of meaningfully high recoveries, upgrades and write-offs.

Though the vulnerable book has moderated from the past, the bank's ability to limit slippages from this book will remain a near-to-medium-term monitorable. Additionally, geopolitical issues, the impact of macroeconomic shocks on borrowers {especially micro, small and medium enterprises (MSMEs)} and the second-order impact of the same on the retail segment could affect the asset quality metrics.

## Environmental and social risks

While banks like Union Bank do not face material physical climate risks, they are exposed to environmental risks indirectly through their portfolio of assets. If the entities or businesses, to which banks and financial institutions have an exposure, face business disruptions because of physical climate adversities or if such businesses face climate transition risks because of technological, regulatory or customer behaviour changes, it could translate into credit risks for banks. However, such risks are not material for Union Bank as it benefits from adequate portfolio diversification. Further, the lending is typically short-to-medium term, allowing it to adapt and take incremental exposure to businesses that face relatively fewer downside environmental risks.

With regard to social risks, data security and customer privacy are among the key sources of vulnerability for banks as material lapses could be detrimental to their reputation and invite regulatory censure. Union Bank has not faced material lapses over the years. Customer preferences are increasingly shifting towards digital banking, which provides an opportunity to reduce the operating costs. Union Bank has been making the requisite investments to enhance its digital interface with its customers. While it contributes to promoting financial inclusion by lending to the underserved segment, its lending practices remain prudent as reflected in the healthy asset quality numbers in this segment compared with its peers.

## Liquidity position: Strong

The liquidity profile remains strong, reflected by the positive cumulative mismatches of the total outflows in the near-term maturity bucket, as per the structural liquidity statement for June 2025. This is supported by the high share of core deposits and the excess statutory liquidity ratio (SLR) investments. Moreover, the liquidity coverage ratio remained strong at 132% in Q1 FY2026, while the net stable funding ratio (NSFR) stood at 121%, with both staying well above the minimum regulatory requirement. The excess SLR holding above the regulatory level can be utilised to avail liquidity support from the RBI (through repo) apart from the marginal standing facility of the RBI in case of urgent liquidity requirement.

## Rating sensitivities

**Positive factors** – Not applicable as all the ratings are at the highest level for the respective instruments

**Negative factors** – The ratings will be reassessed in case of a change in the sovereign ownership. Further, an RoA of less than 0.3% and/or a decline in the capital cushions over the regulatory levels to less than 100 basis points (bps) on a sustained basis will remain negative triggers.

## Analytical approach

Analytical approach	Comments
Applicable rating methodologies	<a href="#">ICRA's Rating Methodology for Banks and Financial Institutions</a> <a href="#">ICRA's Policy on Withdrawal of Credit Ratings</a>
Parent/Group support	The ratings factor in Union Bank's sovereign ownership and the demonstrated track record of capital infusions by the GoI. ICRA expects the GoI to support the bank with capital infusions, if required.
Consolidation/Standalone	For arriving at the ratings, ICRA has considered the standalone financials of Union Bank. However, in line with ICRA's consolidation approach, the standalone assessment of the bank factors in the ordinary and extraordinary support that it is expected to extend to its subsidiaries.

## About the company

Incorporated in 1919, Union Bank of India became the eighth-largest bank in the Indian banking system after Andhra Bank and Corporation Bank merged with it on April 1, 2020. The GoI held a majority stake of 74.76% in the bank as on June 30, 2025. It had a network of 8,649 branches and 8,976 ATMs as on June 30, 2025.

Union Bank reported a net profit of Rs. 4,116 crore in Q1 FY2026 on a total asset base of Rs. 14.82 lakh crore<sup>5</sup>. Its GNPA and NNPA's stood at 3.52% and 0.62%, respectively, as on June 30, 2025, while the regulatory capital adequacy ratio was 18.30% (CET I: 15.30%; Tier I: 16.58%).

### Key financial indicators (standalone)

Union Bank of India	FY2024	FY2025	Q1 FY2026
Total income	51,013	54,923	12,637
Profit after tax	13,648	17,987	4,116
Total assets (Rs. lakh crore)	13.86	14.94	14.82
CET I	13.65%	14.98%	15.30%*
CRAR	16.97%	18.02%	18.30%*
PAT/ATA	1.03%	1.25%	1.11% <sup>^</sup>
Gross NPAs	4.76%	3.60%	3.52%
Net NPAs	1.03%	0.63%	0.62%

Source: Union Bank of India, ICRA Research; Amount in Rs. crore unless mentioned otherwise; Total assets exclude revaluation reserves  
All ratios as per ICRA's calculations; Total income = Net interest income + Non-interest income (excluding trading gains); \* Excludes interim period profits  
<sup>^</sup> Annualised

### Status of non-cooperation with previous CRA: Not applicable

### Any other information: None

<sup>5</sup> Excludes revaluation reserves

## Rating history for past three years

Instrument	Current (FY2026)			Chronology of rating history for the past 3 years					
	Type	Amount rated (Rs. crore)	Oct 06, 2025	FY2025		FY2024		FY2023	
				Date	Rating	Date	Rating	Date	Rating
<b>Certificates of deposit programme</b>	Short term	15,000.00	[ICRA]A1+	Nov-14-2024	[ICRA]A1+	Nov-23-2023	[ICRA]A1+	Sep-20-2022	[ICRA]A1+
				Nov-14-2024	[ICRA]A1+	Aug-10-2023	[ICRA]A1+	-	-
<b>Basel III Tier II bonds</b>	Long term	3,000.00	[ICRA]AAA (Stable)	Nov-14-2024	[ICRA]AAA (Stable)	Nov-23-2023	[ICRA]AAA (Stable)	Sep-20-2022	[ICRA]AA+ (Stable)
				Nov-14-2024	[ICRA]AA+ (Positive)	Aug-10-2023	[ICRA]AA+ (Positive)	-	-
<b>Basel III Tier II bonds</b>	Long term	1,000.00	[ICRA]AAA (Stable); withdrawn	Nov-14-2024	[ICRA]AAA (Stable)	Nov-23-2023	[ICRA]AAA (Stable)	Sep-20-2022	[ICRA]AA+ (Stable)
				Nov-14-2024	[ICRA]AA+ (Positive)	Aug-10-2023	[ICRA]AA+ (Positive)	-	-
<b>Basel III Tier II bonds</b>	Long term	2,200.00	[ICRA]AAA (Stable)	Nov-14-2024	[ICRA]AAA (Stable)	Nov-23-2023	[ICRA]AAA (Stable)	Sep-20-2022	[ICRA]AA+ (Stable)
				Nov-14-2024	[ICRA]AA+ (Positive)	Aug-10-2023	[ICRA]AA+ (Positive)	-	-

## Complexity level of the rated instruments

Instrument	Complexity indicator
<b>Certificates of deposit programme</b>	Very Simple
<b>Basel III Tier II bonds</b>	Highly Complex

The Complexity Indicator refers to the ease with which the returns associated with the rated instrument could be estimated. It does not indicate the risk related to the timely payments on the instrument, which is rather indicated by the instrument's credit rating. It also does not indicate the complexity associated with analysing an entity's financial, business, industry risks or complexity related to the structural, transactional or legal aspects. Details on the complexity levels of the instruments are available on ICRA's website: [Click here](#)

## Annexure I: Instrument details

ISIN	Instrument name	Date of issuance	Coupon rate	Maturity	Amount rated (Rs. crore)	Current rating and outlook
INE692A08102	Basel III Tier II bonds	Nov-26-2020	7.18%	Nov-26-2035 <sup>#</sup>	1,000.00	[ICRA]AAA (Stable)
INE692A08144	Basel III Tier II bonds	Jun-24-2021	7.19%	Jun-24-2031 <sup>*</sup>	850.00	[ICRA]AAA (Stable)
INE692A08151	Basel III Tier II bonds	Jul-09-2021	7.25%	Jul-09-2036 <sup>#</sup>	1,150.00	[ICRA]AAA (Stable)
INE692A08201	Basel III Tier II bonds	Nov-29-2022	7.80%	Nov-29-2032 <sup>*</sup>	700.00	[ICRA]AAA (Stable)
INE692A08219	Basel III Tier II bonds	Nov-29-2022	7.85%	Nov-29-2037 <sup>#</sup>	1,500.00	[ICRA]AAA (Stable)
INE692A08094	Basel III Tier II bonds	Sep-16-2020	7.42%	Sep-16-2030 <sup>*</sup>	1,000.00	[ICRA]AAA (Stable); withdrawn
Unplaced	Certificates of deposit	NA	NA	NA	8,500.00	[ICRA]A1+
INE692A16HY9	Certificates of deposit	Nov-26-2024	7.55%	Nov-26-2025	700.00	[ICRA]A1+
INE692A16HY9	Certificates of deposit	Nov-27-2024	7.55%	Nov-26-2025	400.00	[ICRA]A1+
INE692A16IL4	Certificates of deposit	Jan-24-2025	7.69%	Jan-23-2026	600.00	[ICRA]A1+
INE692A16IM2	Certificates of deposit	Jan-27-2025	7.69%	Jan-27-2026	1,675.00	[ICRA]A1+
INE692A16IN0	Certificates of deposit	Jan-29-2025	7.65%	Jan-29-2026	1,550.00	[ICRA]A1+
INE692A16IP5	Certificates of deposit	Feb-03-2025	7.65%	Feb-03-2026	1,450.00	[ICRA]A1+
INE692A16IY7	Certificates of deposit	Mar-05-2025	7.60%	Mar-05-2026	125.00	[ICRA]A1+

<sup>\*</sup> The instruments have a first call option after five years from issuance; <sup>#</sup> The instruments have a first call option after 10 years from issuance

<sup>^</sup> Redeemed on the first call option date (Sep 16, 2025); Certificates of deposit outstanding as on September 25, 2025

Source: Union Bank of India

## Key features of the rated instruments

The servicing of the Basel III Tier II bonds and certificates of deposit is not subject to any capital ratios and profitability. The Basel III Tier II bonds are expected to absorb losses once the point of non-viability (PONV) trigger is invoked by the RBI. These bonds have equity-like loss-absorption features, which may translate into higher loss severity vis-à-vis conventional debt instruments.

## Annexure II: List of entities considered for consolidated analysis

Company name	Union Bank ownership <sup>*</sup>	Consolidation approach
Union Asset Management Company Pvt. Ltd.	100.00%	Full consolidation
Union Trustee Company Pvt. Ltd.	100.00%	Full consolidation
Union Bank of India (UK) Ltd.	100.00%	Full consolidation
Andhra Bank Financial Services	100.00%	Full consolidation
UBI Services Ltd.	100.00%	Full consolidation
Andhra Pradesh Grameena Bank	35.00%	Limited consolidation
ASREC India (P)	26.02%	Limited consolidation
Star Union Dai-ichi Life Insurance Company Ltd.	25.10%	Limited consolidation
India International Bank (Malaysia) BHD	25.00%	Limited consolidation

Source: Union Bank of India; <sup>\*</sup> As on June 30, 2025

## ANALYST CONTACTS

**Karthik Srinivasan**  
+91 22 6114 3444  
[karthiks@icraindia.com](mailto:karthiks@icraindia.com)

**Sachin Sachdeva**  
+91 124 4545 307  
[sachin.sachdeva@icraindia.com](mailto:sachin.sachdeva@icraindia.com)

**Nikita Garg**  
+91 22 6114 3465  
[nikita.garg@icraindia.com](mailto:nikita.garg@icraindia.com)

**Anil Gupta**  
+91 124 4545 314  
[anilg@icraindia.com](mailto:anilg@icraindia.com)

**Sohil Mehta**  
+91 22 6114 3449  
[sohil.mehta@icraindia.com](mailto:sohil.mehta@icraindia.com)

## RELATIONSHIP CONTACT

**Mr. L. Shivakumar**  
+91 22 6114 3406  
[shivakumar@icraindia.com](mailto:shivakumar@icraindia.com)

## MEDIA AND PUBLIC RELATIONS CONTACT

**Ms. Naznin Prodhani**  
Tel: +91 124 4545 860  
[communications@icraindia.com](mailto:communications@icraindia.com)

## HELPLINE FOR BUSINESS QUERIES

+91-9354738909 (open Monday to Friday, from 9:30 am to 6 pm)  
[info@icraindia.com](mailto:info@icraindia.com)

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## ICRA Limited



### Registered Office

B-710, Statesman House, 148 Barakhamba Road, New Delhi-110001  
Tel: +91 11 23357940-45



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